中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

Video subject: Asset Allocation under Fed Rate Hike Expectations Rising

Video highlights:

- Global financial markets in the first half of 2026 experienced notable volatility driven by geopolitical tensions, persistent inflation, and shifting central bank monetary policies. Looking ahead to the second half of the year, the environment is expected to remain "supported but highly volatile." High inflation has led to adjustments in rate cut expectations, while policy direction under the new US Federal Reserve leadership introduces additional uncertainty. Although a preliminary agreement between the US and Iran has offered short-term relief to energy prices, broader geopolitical risks persist. Equity markets continue to receive underlying support from corporate earnings, yet performance is likely to become more dispersed across sectors and regions, moving away from the broad-based rallies seen previously. Overall, investment opportunities remain available, but they demand greater discernment from investors in choosing the right assets.

- In a scenario where US interest rates stay elevated for an extended period following the Fed's decision to maintain rates in June, traditional cash holdings may appear safe but carry hidden risks. As asset prices gradually incorporate the implications of higher rates, excessive cash allocation could translate into substantial opportunity costs. Heightened uncertainties—spanning interest rate trajectories, geopolitical developments, and increasing correlations between asset classes—make single-asset strategies less effective. A more robust approach involves adopting diversified multi-asset portfolios across global markets. This strategy enables investors to manage volatility effectively while identifying opportunities across different asset categories, proving more efficient than relying solely on cash or concentrated positions in individual assets. Such balanced allocation helps navigate the current complex landscape with greater resilience and potential for returns.

- Asia maintains strong long-term fundamentals that have not been undermined by recent short-term fluctuations. Structural growth drivers continue to support the region, particularly in export-oriented economies like South Korea and Taiwan, which stand to benefit significantly from global artificial intelligence (AI) demand and associated industrial upgrades. The region boasts world-class technological capabilities, deep manufacturing expertise, and an increasingly mature consumer base, positioning many AI-related projects competitively on the global stage. Semiconductor supply chain leadership in South Korea and Taiwan, combined with rapid advancements in AI models and computing infrastructure in mainland China, is expected to help Asia capture a larger share of the market. Furthermore, the evolution of AI from hardware into software applications and data centers, alongside sustained capital expenditure, should provide medium- to long-term tailwinds for Asian equities.

- Rising oil prices due to geopolitical instability pose challenges for energy-importing Asian economies, yet these dynamics also foster positive developments. Heightened focus on national security and economic resilience is driving investment in energy infrastructure, power grids, energy storage, renewable energy, defense, and critical metals. The accelerated buildout of AI data centers further boosts demand for copper, aluminum, and electricity, offering medium-term support to related companies. Corporate governance reforms in Japan, South Korea, and China—promoting share buybacks, improved dividend payouts, and corporate restructuring—are enhancing shareholder value. Evolving consumption patterns, influenced by demographic shifts, technological adoption, and rising wealth, are creating sustained demand in sectors such as insurance, wealth management, tourism, and Asian consumer brands. These factors collectively contribute to a resilient and opportunity-rich environment across multiple Asian market segments.

Full version is only available in Chinese language.

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